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REVISION OF FINANCIAL REGULATIONS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME AND OF THE UNITED NATIONS POPULATION FUND

REVIEW OF MULTI-BILATERAL TRUST-FUND ARRANGEMENTS OF THE UNITED NATIONS POPULATION FUND

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Administrator of the United Nations Development Programme on revisions of UNDP financial regulations (DP/1998/32) and the reports of the Executive Director of the United Nations Population Fund on revision of UNFPA financial regulations (DP/FPA/1998/10) and on a review of multi-bilateral trust-fund arrangements (DP/FPA/1998/11). During its consideration of the reports, the Committee met with representatives of the Administrator and of the Executive Director who provided additional information.

UNDP Financial Regulations

2. In his report, the Administrator seeks approval for interim changes to the financial regulations on the biennial support budget, cost-sharing and procurement. The Advisory Committee notes from paragraph 2 of document DP/1998/32 that the Administrator intends to carry out an in-depth revision of other financial regulations to reflect the new structure of the authority and accountability over financial management arising from the UNDP 2001 change process, the growth of other resources (other than regular resources and resources received by funds entrusted to the Administrator), the implementation of successor programming arrangements, the results of the financial risk assessment being undertaken by UNDP, and the impact of the reform proposals of the Secretary-General being implemented by UNDP. The Advisory Committee understands that this comprehensive revision to the Financial Regulations will

be presented in 1999. The Committee requests that the presentation of revised financial regulations in 1999 make quite clear what is being proposed for rearrangement of presentation and what is being proposed for substantive change.

3. With respect to the proposed changes in the Financial Regulations contained in document DP/1998/32, these may be grouped in two broad categories. The first grouping covers changes to update the definition of categories of resources and related accounts and other adjustments, including those resulting from the adoption of the harmonized presentation of the biennial support budgets for UNDP and other United Nations funds and programmes. The second grouping covers procurement as a major area of operation of UNDP. As indicated in paragraph 10 of document DP/1998/32, under the common services initiative included in the reform proposals of the Secretary-General, the proposed regulations on procurement are the result of a collaborative effort by a working group of the United Nations Secretariat and United Nations funds and programmes. The Advisory Committee was informed that the text of the proposed UNDP regulations on procurement could eventually serve as the basic text for the regulations on procurement for all the other organizations (i.e., the United Nations Office for Project Services, the United Nations Children's Fund, UNFPA and the United Nations Secretariat).

4. With respect to the first grouping of the revised regulations, the Advisory Committee does not have any objection to the proposed revisions, as indicated in sections A and B of annex II of document DP/1998/32. The Committee notes that the subject of delegation of authority by the Administrator to other UNDP officials for procurement functions and management of property, as indicated in the proposed text of regulation 14.5 (c), is already covered under the terms of Regulation 3.1 and more specifically under Rule 103.1. In addition, the Committee was informed that under the current Regulation 14.1 (c), as revised in 1996, the Administrator should designate the personnel who may incur obligations on behalf of UNDP. Under Regulation 14.1 (c), "personnel" means, as defined in Regulation 2.2 P (ii), "staff of the organization and other persons employed by the organization, under other contractual arrangements, to perform services for a programme or project activity or for programme support".

5. In this connection, the Advisory Committee was informed that, during the consultations with the United Nations Office of Legal Affairs (OLA), OLA identified concerns expressed by the General Assembly about non-United Nations staff performing procurement-related functions, most recently in General Assembly resolution 52/226 of 27 April 1998. The Committee was informed that, as a field-oriented organization that carries out thousands of projects worldwide through a network of more than 130 country offices, UNDP finds it efficient and appropriate to delegate, from time to time, limited procurement authorities to personnel who are contracted by UNDP but who are not staff. Such delegations, the Committee was informed, are exceptional measures and are made for low-value procurement activities. UNDP uses the services of individuals as project personnel who do not serve under letters of appointment and are not subject to the Staff Regulations and Rules. In this connection, the Committee recommends that, in conjunction with the submission of comprehensive revised Financial Regulations in 1999 (see para. 2 above), the Administrator prepare a policy paper on procurement by non-staff members, indicating the practice followed by UNDP and other United Nations funds and programmes.

UNFPA Financial Regulations

6. As in the case of UNDP, revisions to the existing UNFPA Financial Regulations concern the updating of the terminology used in the harmonized presentation of the biennial support budget, as well as the revisions to the regulations concerning procurement, which arose out of the work of the procurement working group of the common services initiative included in the reform proposals of the Secretary-General.

7. The Advisory Committee does not have any objection to the proposed revision of the Financial Regulations, as indicated in paragraphs 3 and 4 of document DP/FPA/1998/10. With respect to proposed revisions of procurement regulations, the comments of the Committee on UNDP proposed revisions, in paragraphs 3-4 above, are equally applicable to the UNFPA proposal. In the case of UNFPA, the Committee was informed that the Executive Director may delegate authority, as appropriate for procurement functions and management of property only to UNFPA officials and not to non-staff project personnel.

UNFPA multi-bilateral trust-fund arrangements

8. The Advisory Committee welcomes the report of the Executive Director on a review of multi-bilateral trust-fund arrangements (DP/FPA/1998/11), which was prepared in response to Executive Board decision 97/26. Organized in five parts, the report covers the main elements of UNFPA multi-bilateral funding and cost-recovering mechanisms and concludes with the Executive Director's recommendations for undertaking full cost recovery for (a) the managerial and support services (MSS) for handling multi-bilateral activities and (b) the administrative and operational support (AOS) for UNFPA execution of multi-bilateral projects.

9. As indicated in paragraphs 3 and 4 of document DP/FPA/1998/11, multi-bilateral contributions are received by UNFPA from donors and programme recipient countries, financial institutions, non-governmental organizations, and foundations under trust fund arrangements. The multi-bilateral resources are used for specific population activities that cannot be funded from regular resources. As shown in table 1 of document DP/FPA/1998/11, UNFPA multi-bilateral resources are relatively small as compared to regular resources. For 1998, multi-bilateral resources income is projected at around $25 million, or 8 per cent of total resources (DP/FPA/1998/11, para. 8).

10. The Advisory Committee notes from paragraphs 15 (a) and 21-23 of document DP/FPA/1998/11 that UNFPA provides a full range of managerial and support services to develop, oversee and monitor projects financed from multi-bilateral resources. These services are provided by UNFPA to all multi-bilateral funded projects, regardless of whether UNFPA acts as the executing agency for the projects or other agencies are selected to execute the projects. Upon request, the Committee was provided with a detailed schedule of all services provided by field offices and headquarters units to projects funded from multi-bilateral resources (see annex to the present report). Currently, UNFPA is not reimbursed for these managerial and support services. The Committee further notes that managerial and support services costs are incurred by UNFPA, whether the projects are executed by UNFPA or by other executing agencies. The Committee

agrees that the performance of these services represents a subsidy from regular resources (biennial support budget) to activities funded from multi-bilateral resources. The Committee, therefore, agrees with the proposal of the Executive Director to establish a recovery rate of 5 per cent for MSS costs to be levied on all multi-bilateral trust-fund projects. Income earned through MSS cost-recovery should be credited to the biennial support budget in accordance with the proposed provisions of Regulation 8.7. The Committee believes, however, that the proposed apportionment between the concerned country offices and headquarters units, at any given rate, may be overrestrictive and recommends that the Executive Director should continue to exercise her discretion in this regard. The Committee further notes that the proposed rate of 5 per cent falls within the range of rates charged for such services by other United Nations organizations and is based upon an evaluation of workloads. In the interest of providing greater transparency, however, the Committee recommends that UNFPA continue to refine its methodology for quantifying the level of charges.

11. According to the established procedures, when UNFPA acts as the executing agency for a project funded from multi-bilateral resources, UNFPA is reimbursed for AOS costs at the rate of 5 per cent of the project expenditure, and when a United Nations executing agency is selected to execute a multi-bilateral funded project, the agency is reimbursed for AOS costs at the rate of 7.5 per cent of the project expenditure (DP/FPA/1998/11, paras. 24-26). In paragraphs 26-27, the Executive Director proposes to increase the rate of AOS cost reimbursement for UNFPA, as an executing agency of multi-bilateral funded projects, from 5 per cent to 7.5 per cent of the project expenditure. That is, at the same reimbursement rate charged to multi-bilateral projects executed by other United Nations executing agencies for AOS costs.

12. The Advisory Committee notes from paragraph 26 that, when United Nations executing agencies execute projects funded from regular resources, agencies are also reimbursed for AOS costs at the rate of 7.5 per cent of the project expenditure. The Committee recalls that in 1992 UNFPA introduced the AOS cost reimbursement to United Nations executing agencies under the new arrangements to meet the costs involved in providing technical and administrative support to projects (see, for example, document A/49/5/Add.7, para. 36). The Committee has no objection to the proposed increase in the rate of reimbursement for AOS costs from 5 per cent to 7.5 per cent when UNFPA executes projects funded from multi-bilateral resources; however, it recommends that this matter be kept under review and resubmitted to the Committee when updated cost-measurement information on AOS costs becomes available.

Annex

ADDITIONAL INFORMATION ON THE METHODOLOGY FOR DETERMINING MANAGERIAL AND SUPPORT SERVICES COST IN THE UNITED NATIONS POPULATION FUND

As outlined in section IV, item 17 of the report contained in document DP/FPA/1998/11, Managerial and Support Services comprise four processes. The following matrix lists each process (A, B, C and D), the specific work task and the estimated workload level (Heavy, Medium, Light).

	Field office			Headquarters unit		
	Heavy	Medium	Light[a]	Heavy	Medium	Light
A. Multi-bilateral project identification formulation and approval	X				X RDB/GD[b]	
1. Exploratory phase - Meeting with donors and recipient Governments to identify project possibilities and resource mobilization strategy - e.g., convene donors meeting.	X				X RDB/GD	
2. Discuss and negotiate specific proposals and funding requirements.	X				X RDB/GD	
3. Provide/secure necessary substantive expertise to formulate project documentation and budgets.	X					X GD
4. Review technical assessment and approve project.	X					X GD
B. Formulation of multi-bilateral co-financing arrangements	X			X RDB		X GD/FB
1. Identify specific co-financing arrangements and negotiate provisions of using standard co-financing agreements (agreements must be in keeping with UNFPA programme priorities and financial rules and regulations).	X			X RDB		X GD/FB
2. Secure donor approval of agreement and recipient Government approval, if necessary. Revise agreement, if required, in full consultation with concerned parties.	X				X RDB	

	Field office			Headquarters unit		
	Heavy	Medium	Light[a]	Heavy	Medium	Light
3. Set up necessary financial accounts, data files and recording; and request first payment in accordance with disbursement schedule.	X				X RDB/FB	
C. Operational support			X	X RDB		
1. Prepare and update the guidelines procedures for multi-bilateral financing and other related co-financing information.			X	X RDB		
2. Prepare and update multi-bilateral project pipeline portfolio.			X	X RDB	X GD	X GD/FB
3. Develop overall funding strategy and approach for multi-bilateral resources.				X RDB		
4. Organize bilateral donor consultation. Prepare multi-media presentations for multi-bilateral financing agenda items.				X RDB		X GD/FB
D. Substantive and financial monitoring		X		X		
1. Maintenance of co-financing trust fund and cost-sharing accounts.				X FB/RDB		
2. Negotiate disposition of trust fund interest balances and take corrective action on underfunded project accounts.				X RDB		
3. Monitor substantive provisions of multi-bilateral agreements.		X			X GD/RDB	
4. Prepare general summary reports on multi-bilateral reporting.				X RDB		

[a] The workload levels are estimated as follows: Heavy 60-100 per cent; Medium 30-60 per cent; Light, 30 per cent less.

[b] KEY: RDB: Resource Development Branch, GD: Geographical Divisions, FB: Finance Branch.

The points mentioned below describe the specific maintenance type of activities that are carried out to implement each of the above-mentioned multi-bilateral process:

1. Communications - phone/fax/e-mails, meetings

   - Answering
   - Returning
   - Initiating

2. Computer work and data-processing and management

   - Setting up data management system
   - Inputting and updating data
   - Backing up hard drive
   - Preparing computer information presentation

3. Correspondence

   - Reading
   - Responding
   - Initiating

4. File tasks

   - Filing
   - Weeding
   - Archiving

5. General maintenance

   - Accounting (payments, etc.)
   - Mail processing
   - Logistics and supplies